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FOREIGN

OCTOBER
1956

AGRICULTURE



FEB 8 1957

U. S. DEPARTMENT OF AGRICULTURE
BIRMINGHAM BRANCH

Sino-Soviet Economic Offensive
Canada, a Leading Cash Customer
Sciences Produces New Export Foods
"Wonder Method" of Rice Culture?



UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN

AGRICULTURE

VOL. XX . . No. 10 . . OCTOBER 1956

To report and interpret world
agricultural developments.



Acquainting Customers With Our Products

One way of inviting export business is by bringing products to customers—by exhibiting at international trade fairs, for example. Another and newer way that has its own special merit is by bringing customers to products.

As an example of the latter, on page 20 we report the recent visit to the United States of trade groups from Japan, here to learn first-hand about the wheat and soybeans that they buy in large quantity from America.

Japan is our largest foreign market for soybeans, taking about 20 million bushels a year. It was good business for the Department of Agriculture and the American Soybean Association, using market development features of Public Law 480, to cooperate in playing host to these leading importers.

Japan is becoming an increasingly important market for U.S. wheat and flour. It was good business also for the Department and the Oregon Wheat Growers League to sponsor the visit of officials responsible for Japan's imports of grain and grain products.

Other countries too are being invited to get first-hand looks at American farm products, their production, their processing, and their distribution. A tobacco industry mission is here from Finland. One came earlier from Thailand. Soon another is coming from France for similar studies.



Cover Photo

English schoolboys enjoy U.S. hotdogs at British Food Fair in London where American products have been seen and sampled by 20,000 persons a day.

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Sino-Soviet Economic Offensive In Underdeveloped Countries

By DORIS S. WHITNACK
U. S. Department of State

DURING THE PAST 18 months, Soviet Bloc diplomacy has devoted major efforts to increasing economic ties with underdeveloped countries of the Free World—most of which depend on agriculture to produce two-thirds or more of their national income and to provide the means of paying for a major portion of vital imports. The most dramatic feature of the Bloc's economic offensive is the credit program; but the aspect which may constitute a far greater threat and challenge to Free World interests is the trade drive. In both cases, the Bloc's offers not only include goods but also services of technical personnel and training within the Bloc of nationals from Free World countries.

This expansion of trade with underdeveloped countries has led to the Bloc's becoming a significant purchaser of some agricultural products, notably rice, rubber, and cotton, from some of the principal exporters. For example, 25 to 30 percent of Burma's rice exports under existing bilateral agreements will move to Bloc countries—and rice comprises about 75 percent of Burma's total foreign exchange earnings. Egypt has mortgaged an important part of its cotton exports to pay for arms and other purchases from the Bloc; one-third to over half of Ceylon's total rubber exports have been going to the Bloc countries in recent years, as have about 25 percent of Turkey's tobacco exports and 20 percent of its cotton exports.

Soviet Economic Drive

This economic drive, supported by a full-dress diplomatic and propaganda offensive, is clearly

geared to supporting Soviet political objectives. By providing assistance for development programs and markets for commodities—particularly agricultural products—the Soviets hope to wipe out the fear of aggression and subversion which grew out of their earlier tactics. The Bloc, it appears, expects thus to develop an atmosphere of confidence in which it can more readily extend its influence abroad.

The Bloc's drive, particularly the trade aspect, can also be explained in terms of economic advantage. Communist output of producers' goods has grown rapidly while output of consumers' goods has languished. The USSR and its satellites are probably now in the position where they can realize an economic gain by trading industrial goods for food and raw materials from the underdeveloped countries.

In earlier periods such calculations would have come into serious conflict with the prime objective of self-sufficiency. However, the USSR now seems to feel confident enough of its own strength—and of its ability to avoid dangerous dependence on external supplies—that it can relax its previous rigid adherence to the principles of self-sufficiency. On this basis, the more flexible post-Stalin leadership can be expected to pursue an economic course which permits an even greater expansion of external trade than has taken place so far—particularly for the European satellites. However, it seems unlikely that the trend would be allowed to continue to the point where the Bloc's economy became seriously dependent on foreign supplies. If Sino-Soviet trade with the Free World should double in the next 5 years, it would still probably

constitute less than 2 percent of the Bloc's gross national product.

The Trade Offensive

The principal instrument used by the Bloc for expanding economic relations has been the bilateral trade and payments agreement. Since 1953 the number of such agreements in force with Free World countries has about doubled—a major portion of the new signatories being underdeveloped countries. Such agreements generally specify amounts and types of goods for which the two countries involved will provide official trading facilities. They do not assure that trade will reach the specified levels, and in actual practice exchanges have often been much lower. Nevertheless, Sino-Soviet trade with the Free World has been increasing and last year was about \$1.5 billion above the low point reached during the Korean hostilities. About half of this increase was accounted for by the less developed countries. Probably about one-third of the global increase represented the exchange of manufactures for primary goods—in considerable part agricultural products—from the underdeveloped countries. In 1956 the volume of these exchanges will probably grow significantly.

In its trade drive the Bloc has based much of its appeal on the need of underdeveloped countries to expand their markets for agricultural products and to stabilize their export earnings. Thus, it has publicized its willingness to take surplus commodities on long-term contracts—and sometimes has offered to pay premium prices. State trading organizations stand ready to carry out central decisions rap-

Free World countries that have bilateral trade agreements with countries of the Sino-Soviet Bloc

Number of Soviet Bloc countries
with which trade agreements were
in effect as of May 15, 1956

EUROPE

| | |
|-------------------------|---|
| Austria | 7 |
| Belgium | 7 |
| Denmark | 6 |
| Finland | 8 |
| France | 8 |
| German Federal Republic | 6 |
| Iceland | 5 |
| Italy | 8 |
| Netherlands | 6 |
| Norway | 7 |
| Portugal | 4 |
| Sweden | 7 |
| Switzerland | 6 |
| United Kingdom | 4 |
| Yugoslavia | 9 |

NEAR EAST AND AFRICA

| | |
|-------------|---|
| Afghanistan | 2 |
| Greece | 7 |
| Egypt | 7 |
| Ethiopia | 1 |
| Iran | 4 |
| Israel | 5 |
| Lebanon | 6 |
| Sudan | 4 |
| Syria | 7 |
| Turkey | 6 |
| Yemen | 1 |

SOUTH AND SOUTHEAST ASIA

| | |
|-----------|---|
| Burma | 8 |
| Cambodia | 1 |
| Ceylon | 4 |
| India | 8 |
| Indonesia | 7 |
| Pakistan | 1 |

WESTERN HEMISPHERE

| | |
|-----------|---|
| Argentina | 5 |
| Brazil | 3 |
| Canada | 1 |
| Colombia | 1 |
| Mexico | 1 |
| Paraguay | 3 |
| Uruguay | 4 |

idly, and all of the organs of propaganda lose little time in playing up the advantages of this trade and in fanning already strong prejudices against some Western economic policies.

To increase its prestige and dispel any doubts that its economy can supply the type and quality of goods which the underdeveloped countries need for their development programs, the Bloc has greatly expanded its participation in trade fairs outside its orbit. In many areas the Soviet exhibits have been very elaborate and have been attended by high-ranking officials. At fairs within the Soviet orbit, too, increasing concern has been shown for the interests of the underdeveloped countries. While such activities on the part of the USSR are not exactly new, most observers seem to discern a marked shift from a few years ago when the fairs were used almost exclusively for propaganda; today there seems to be a clear drive to sell a wide variety of Soviet Bloc products and the intention to carry out contracts to the letter.

From the Communist point of view the trade drive is probably a substantial success. It has been enthusiastically received in many underdeveloped countries, where the hope is widespread that increased exports to the Bloc will provide a means for securing the additional manufactured imports and technical services that are now needed for meeting development targets. While foreign aid, divorced from military or political commitments, is generally welcomed, some groups in underdeveloped countries are very sensitive about what they consider the implications of a donor-recipient (or creditor-debtor) relationship. In any event, most countries realize that economic development must come very largely from their own efforts, and that the bulk of their growing external requirements must be met from an expansion of trade.

Nevertheless, the Bloc has not had unqualified smooth sailing. Its offers to resell in Western markets some of the products which it has

imported have given rise to protests and have created some doubts as to whether exports to the Bloc represent the desired additional markets. Realization of the disadvantages of barter trading is becoming more widespread. Moreover, as the Burmese found out, the Soviets are generally hard traders, so that a transaction which was originally hailed as a great benefit to Burma has resulted in such unfavorable terms of exchange that the effect is about the same as if they had sold their rice exports at sacrifice prices.

The Credit Program

The most dramatic feature of the new look in Soviet economic diplomacy has been its large-scale entry into the foreign assistance field. After years of denouncing foreign aid as an unvarnished instrument of Western imperialism, the USSR and European satellites have now signed agreements to extend to 11 underdeveloped countries about \$1 billion in credit for the purchase of Soviet Bloc goods and technical services. The recipient countries are mainly in the Near East and South Asia. But the largest single beneficiary is Yugoslavia, which together with Egypt, India, and Afghanistan accounts for the bulk of the total agreed credits. In addition, a number of firm offers are under consideration by less developed countries, and the USSR and its satellites have made known in general overtures their willingness to assist several other countries if the latter are interested. Recently, even Communist China entered the field with an agreement to provide grant assistance to Cambodia. But this case is an exception, since Soviet Bloc aid is practically all in the form of credits; and, in at least one case where a gift was involved, the recipient at the same time gave the USSR a return gift.

Major emphasis is placed on the claim that these credits have "no strings attached"—an obvious jibe at Western-sponsored military alliances and trade controls directed against the Bloc. The appeal of the

Countries that have accepted Soviet Bloc offers to extend medium or long-term credit, as of August 15, 1956

Middle East:

**Egypt
Iran
Jordan
Syria
Turkey**

South & Southeast Asia:

**Afghanistan
India
Indonesia**

Latin America:

Argentina

Europe:

**Finland
Iceland
Yugoslavia**

credits is enhanced by the fact that they ordinarily carry an interest rate of 2 to 2.5 percent, which is not unusual within the USSR but is about half the rate generally charged on international medium- or long-term credits from Western lending institutions. Moreover, the Bloc's terms usually provide for repayment in local currency or commodities. In some cases, its bids on projects appear to have been considerably below cost—which reinforces the general impression that the assistance contains an important element of political motivation. At the same time, it is possible that the Bloc also regards these low bids as a cost of entering new markets traditionally oriented to Western suppliers.

The composition of Soviet Bloc credits reveals a fairly wide variety of projects, including complete plants for producing steel; textiles, cement, fertilizer, and power; food-processing facilities; development of mineral resources, notably petroleum and non-ferrous metals; expansion of transport facilities; health clinics; and various facilities for scientific research and training. A few important agreements involve military items and training. In each case the project has been one which had particular appeal to the recipient country so that the psychological impact of the assistance has been substantial.

The Bloc has also made a favorable impression by an apparent lack of insistence on economic justifications, and by the speed with which it has moved to implement agreements. So far the quality of equipment and of technical services provided seems to have been quite satisfactory to most of the countries involved.

It is still too early to evaluate the full effects which these programs will produce. Some of the psychological gains can be expected to diminish as countries come to take the assistance for granted. Increased contacts can produce frictions and disillusionment as well as understanding and influence. Soviet Bloc aid at current levels will in very few cases fill any appreciable part of the large gap between capital availabilities and the level of investment required to raise living standards. Undoubtedly many of the exaggerated hopes for aid will be at least partially disappointed.

Nevertheless, it is quite evident that the economic offensive so far has created increased good will for the USSR and that the forces of neutralism have been strengthened. Under such circumstances it seems likely that economic measures will continue to play a significant role in the larger fabric of Sino-Soviet diplomacy.

How Europe Restricts U. S. Farm Exports

Status of Quantitative Import Control Over Selected U.S. Agricultural Exports—for 16 European Countries, was recently issued by the Foreign Agricultural Service as FAS-M-11.

The publication consists of a listing, for each of 16 Western European countries, of the quantitative import restrictions on certain farm commodities. These commodities are ones that are important both as agricultural imports into the countries concerned and as U.S. export items. Also listed are those products that have been "liberalized."

CANADA: One of U. S. Agriculture's Best Cash Customers



Photos from Canadian National Film Board

NO TWO COUNTRIES in the world have as fine a trade relationship as the United States and Canada. Not only is the volume of trade greater than that between any two countries, but with a few exceptions, it moves across the border in private channels and without government financial assistance—both highly significant facts in the world today where government agreements or subsidies are often a requisite to foreign sales.

U.S. farm products have benefited from this mutually satisfactory exchange. During and after the war exports to Canada of U.S. farm commodities rose steadily. At the same time, the United States increased in importance as a market and replaced the United Kingdom as the most important outlet for Canadian agricultural produce.

During the last 5 years the market in Canada for U.S. farm products has been remarkably stable. It reached a peak of \$298 million in 1954, and declined only slightly in 1955 to \$282 million. Our imports from Canada were also well maintained from 1951 through 1953, reaching \$344 million in 1951. They declined, however, to \$217 million in 1954 and \$162 million in 1955.

Changed Trade Pattern

Steady growth in the volume of agricultural products traded across the border is something that both countries have more or less taken for granted. Consequently, this decline in imports from Canada alters

By **MONTELL OGDON**
Foreign Agricultural Analysis Division
Foreign Agricultural Service

considerably the evenly-balanced U.S.-Canadian trade pattern. What caused this? Why did our exports to Canada remain at a high level and Canada's exports to the United States fall off?

U.S. food exports to Canada stayed in the upper brackets primarily because of the high level of industrial activity and prosperity in Canada. With income from wage-earners reaching a new record in 1955 and with unemployment at a minimum, consumer interest in high quality food products continued on the upward trend. This was reflected in 1955 consumer expenditure at food stores and restaurants, which as the year progressed surpassed all previous levels. It also sharply reduced the flow of feeder cattle into the United States from Canada.

Canada's exports to the United States were affected principally by the lower-than-normal 1954 potato and grain crops, and also by greater domestic and overseas demand for Canadian coarse grains. In addition, a strong overall price situation developed in Canada, which tended to slow down the north-south movement of livestock and other products as well as grains. Some U.S. prices in 1955 showed a leveling off or a decline, making the U.S. market less attractive to Canadian products. At the same time, the Canadian dollar sold at

a premium over the U.S. dollar, tending to discourage Canadian exports and to encourage imports from the United States.

Demand for U.S. Products

Of the foods imported from the United States, fresh and processed fruits, fresh vegetables including early potatoes, edible oilseeds, and poultry meat were in strong demand. With Canada's total meat and poultry disappearance for 1955 almost double the average for 1935-39, U.S. exports of poultry and live-stock products increased notably. Fresh poultry and game rose from 8 million pounds in 1954 to 16.1 million in 1955, largely because of the unprecedented demand for eviscerated chickens and turkeys. U.S. exports of live cattle increased from 3,467 head in 1954 to 6,297 head in 1955, some of which were shipped for slaughter.

Quick-frozen fruit consumption in 1955 was 3.5 times that of 1949-53, and approximately the same as in 1954. Similarly, apparent consumption of quick-frozen vegetables was 23.5 million pounds in 1955, 10 times the 1949-53 average. As a result, imports of frozen fruit and vegetables were slightly above the high mark of 1954, or 4.5 times the 1949-53 average.

Contributing to this rise in U.S. exports of vegetables to Canada was the short Canadian potato crop of 1954 as well as consumer demand for special types of potatoes, particularly "bakers" and early potatoes which become available in the United States before they can be



Much of the trade between the United States and Canada passes through the Great Lakes Waterways. Above, Port Arthur, world's largest grain shipping center.



Picking apples in a Canadian orchard. Apples are an important Canadian export; this year, however, the crop is expected to be lower than average.

matured in Canada. This short crop of 51.8 million bushels—as against 67.5 million the previous year—was insufficient to meet normal Canadian demand and reduced Canada's exports of table stock to 0.6 million bushels compared with 2.5 million for 1954. Canadian seed potato exports, however, were well maintained.

Shifts in Grain Trade

The most important trade shifts took place in grain, with the net change a reduction in Canadian exports to the United States. Our exports of grain and grain products to Canada totaled \$19.2 million in 1955 compared with \$29.8 million in 1954. Corn, the major grain export to Canada, showed a decline from 11.4 million bushels in 1954 to 4 million in 1955.

Concurrently, our grain imports from Canada dropped from \$82.3 million in 1954 to \$54.6 million in 1955—the peak was \$162.1 million in 1953. Oats dropped from 30.1 million bushels to 9.6 million, and barley imports from 27.5 to 18.6 million bushels. Wheat imports remained at about the same level as that of 1954, totaling 6.5 million bushels. The single increase in our grain imports was barley malt which jumped from 60 million pounds in 1954 to 70 million.

Imports of wheat and rye into the United States were still under quota restrictions during 1955, while the oats and barley quotas expired on September 30, 1955. Neither the oats nor the barley quotas were filled during the last year of the quota period, as the Canadian barley crop in 1954 was one-third below the 1953 crop and the oat crop was the lowest since 1947.

Though these declines were partially offset by large coarse-grain carryovers, the total 1954-55 gross supply of domestic feed grain in Canada represented a 15-percent decline from the 1953-54 record supplies. With domestic cattle and hog numbers reaching the highest level in 10 years, the price of feed-grains rose sharply in the fall of 1954 and averaged above the 1954 prices for the first 7 months of 1955. These relatively high prices also served to cut down on U.S. import of Canadian grains.

Other Trade Shifts

While the major shifts were in the grain trade, several of the traditional U.S. agricultural exports to Canada suffered substantial declines in 1955. U.S. cotton exports dropped from \$50.9 million in 1954

(Continued on page 18)

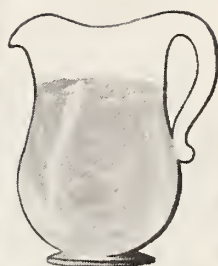


Above, spraying potato plants on Prince Edward Island, source of seed potatoes for the United States. Below, harvesting grain on Canada's vast prairie lands.





25 LB.



8.7 LB.



1 LB.

Sixty-four average-size oranges

make one gallon of juice, which

makes one pound of orange juice crystals.

Science Helps U. S. Farmers Expand Their Foreign Markets

By JOEL WHEELER

Agricultural Research Service

THE G.I. of World War II with this dehydrated potatoes and powdered eggs was a touching figure much loved by cartoonists. But these processed foods in the soldier's messkit, even though somewhat tasteless, were a real achievement for U.S. scientists who were given the vital wartime task of preserving fresh food in non-perishable form.

Agricultural research is still concerned with this important job—except that the goal is the peacetime one of expanding outlets for U.S. farm products in today's highly competitive markets.

To meet this challenge, U.S. research scientists are converting such foods as fruits, vegetables, and milk into products that use a minimum of shipping and storage space, and that do not require refrigeration. At the same time, these products are a far cry from World War II's powdered eggs and dehydrated potatoes. They now have both flavor and nutritive value.

Powdered Fruits, Vegetables

Fruit and vegetable powders rich in natural flavor have now been developed. An orange juice powder that dissolves instantly in water to make a juice with nutritive value almost equal to that of fresh orange juice is already available commercially on a limited basis. By saving space it reduces shipping costs drastically. For instance, 64 oranges weigh about 25 pounds. When pressed into juice they weigh about 8 pounds, and when made into powder, only 1 pound.

A lemonade powder is being produced on a pilot-plan scale, and tomato powder is reaching the commercial stage. Research is also under way to produce other fruit and vegetable powders, for beverages, dry food mixes, soups, and sauces.

Potatoes still lend themselves best to dehydration, but scientists have evolved entirely new methods and even new products. Potato granules, now being manufactured

on a substantial scale by several companies, are made by adding previously dried powder to mashed potatoes to reduce the moisture content, then granulating the moist, friable powder and drying it. Potato flakes, still being market-tested, are produced by cooking the potatoes, mashing them, drying in thin sheets to about 4.5 percent moisture, and finally breaking them into flakes. When milk or hot water is added to either the granules or flakes, they make a light, fluffy mash that is difficult to distinguish from fresh mashed potatoes.

Probably one of the most important projects that agricultural researchers are tackling is whole milk powder. Some problems still remain to be solved, but a whole milk powder, with fresh-milk flavor and nutrition, plus easy reconstitution and good keeping quality, should lead to a marked increase in milk consumption. This would be especially true in countries anxious to increase their milk supply, but handicapped by the cost of erecting recombining plants.

Dehydrofreezing Process

An entirely new process called dehydrofreezing is being watched with interest by processors. In this process, the fruit or vegetable is partially dried and then preserved by freezing. The space and weight economy is the same as for dehydrated foods, but the products themselves are more convenient to use and retain their freshness as in frozen foods. Dehydrofrozen apples, however, have a much firmer texture when thawed than apples frozen the usual way. Since products with reduced moisture content

(Continued on page 23)

Third International Wheat Agreement:

Aug. 1, 1956—July 31, 1959

IWA

"The International Wheat Agreement in concept is designed to assure stable supplies of wheat to importing countries and a stable market to exporting countries within a reasonable and equitable price range."

—The International Wheat Council

A THIRD INTERNATIONAL WHEAT Agreement is now in effect. By the time it expires on July 31, 1959, the world's principal wheat importing and exporting countries will have rounded out 10 years of experience in stabilizing the international wheat trade.

The new Agreement was signed this spring by 6 exporting countries and 34 importing countries. By July 16, all of the exporters and 32 of the importers had either ratified the Agreement or filed notice of their intention to ratify. The Agreement therefore went into effect on August 1.

The purchase guarantees of the 34 signers amount to 263 million bushels per crop year; those of other importers that have already joined the Agreement or may do so by December 1, 1956, could bring this total up to 290 million bushels. Thus the importing countries together account for almost a third of world trade, which in 1955-56 totaled a billion bushels.

Missing again from the list of signers is the United Kingdom, the world's principal wheat importer, which was a party to the 1949-53 Agreement but not to the one in 1953-56. On the other hand, Argentina and Sweden have joined as exporters for the first time.

The annual quotas of the three principal exporting countries are all lower than in 1953. The U.S. quota is down from 196.5 million bushels to 132.1 million; the Australian, from 45 million to 30.3 million; the Canadian, from 153.1 million to 102.9 million. France's

nominal quota of 344,000 was increased to 16.5 million; and the newcomers Sweden and Argentina received quotas of 6.4 million and 14.7 million respectively.

Significant Provisions

The 1956 Agreement follows the same general pattern as the earlier two: It sets forth a list of guaranteed purchases which balances a list of guaranteed sales; and it establishes maximum and minimum prices. These prices are on the same basis as the U.S. dollar, and are based on the price for Canada's No. 1 Manitoba Northern in store at terminals in Fort William and Port Arthur.

Guaranteed Quantities.—Each importing country has the obligation to buy its guaranteed quantity if exporters offer to sell wheat at the minimum price set by the agreement. It also has the right to buy at the IWA maximum price whatever it needs to complete that guaranteed quantity. Each exporting country has the obligation to sell its guaranteed quantity if importers offer to buy at the IWA maximum, and the right to sell at the minimum enough wheat to fill its quota. Thus rights and obligations are balanced.

Prices.—Under the new Agreement, both maximum and minimum prices are 5 cents lower than in the previous Agreement. The maximum is now \$2 per bushel and the minimum \$1.50.

Under the 1949 Agreement, the IWA maximum was \$1.80. The minimum started at \$1.50 and decreased 10 cents each year, ending at \$1.20. Under the 1953 Agreement, the maximum was raised to \$2.05 and the minimum to \$1.55.

Throughout the previous two Agreements, the domestic price of U.S. wheat was above the IWA maximum, and since September 1953 both have been above the

1956 SIGNERS

(As of August 1)

Importing Countries

*Austria
Belgium
Bolivia
Brazil
Costa Rica
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
West Germany
Greece
Guatemala
India
Ireland
Israel
Italy
Japan
Korea
Lebanon
Liberia
Mexico
Netherlands
New Zealand
Nicaragua
Norway
Panama
Peru
Philippine Republic
Portugal
Switzerland
Union of South Africa
Vatican City
Yugoslavia*

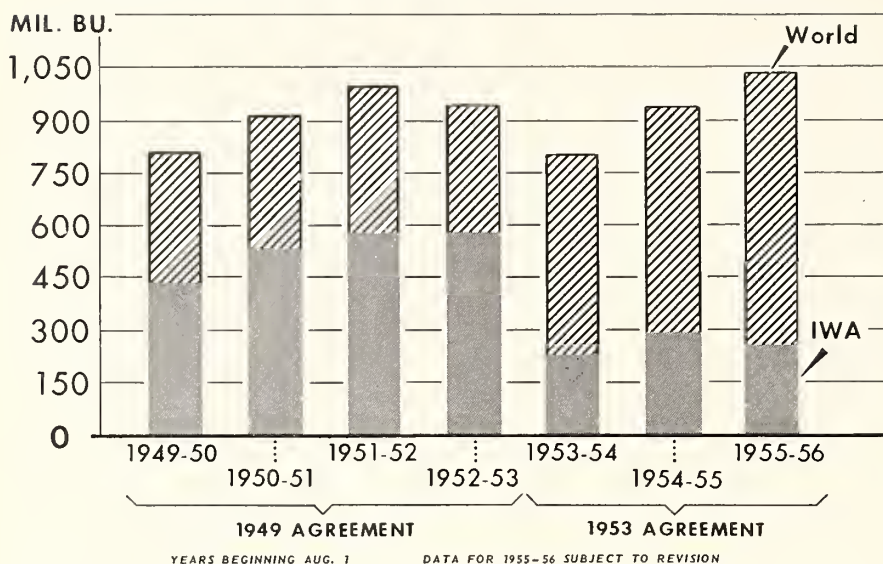
Exporting Countries

*Argentina
Australia
Canada
France
Sweden
United States*

world price. To fulfill its obligation of selling at the maximum price, and to meet competition from other exporting countries, the United States has paid an export subsidy covering the difference between the domestic price and the price in export markets. This subsidy has ranged between 55 and 75 cents a bushel. Shown in the accompanying table are the quanti-

THE WORLD'S WHEAT EXPORTS

Total, and Share Exported Under the International Wheat Agreement

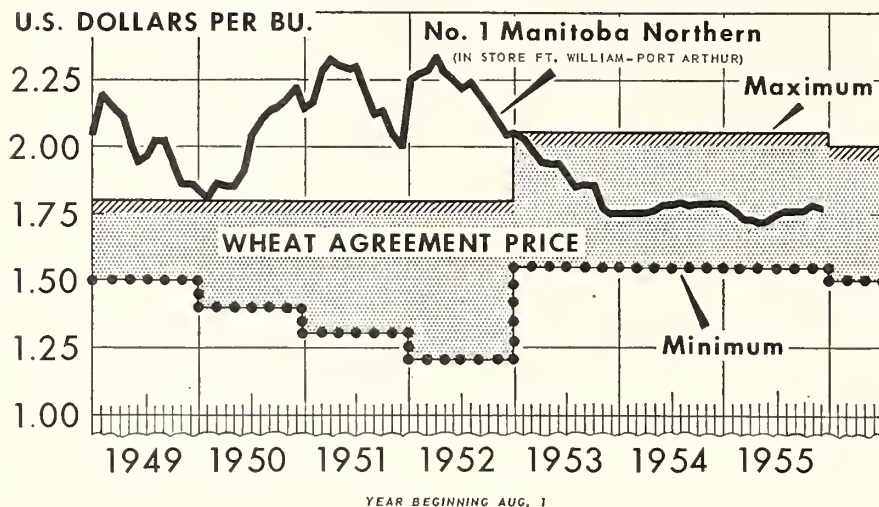


USDA

FAS-NEG. 1039

WHEAT PRICES

Canadian No. 1 Manitoba Northern, and International Wheat Agreement, Maximum and Minimum



USDA

FAS-NEG. 1038

ties of wheat and flour (converted to grain) exported under the Agreement, and the subsidies paid.

Wheat Study.—A new provision authorizes the International Wheat Council to "study any aspect of the world wheat situation and sponsor exchanges of information and inter-governmental consultations relating thereto." A special clause, however, reserves to member governments complete liberty of action in their internal farm policies. Under this new provision, the Council may arrange to cooperate with the Food and Agriculture Or-

ganization of the United Nations and with governments not members of the Agreement. The United Kingdom, which still remains outside, has indicated a desire to cooperate in any studies carried on under the provision.

Importance of the Agreement

How well has the International Wheat Agreement functioned?

One of the hopes in 1949 was that the Agreement, by assuring supplies at reasonable prices, would tend to discourage importing countries from expanding their

own production. This hope has not been fulfilled. Many importing countries have maintained prices to their growers at levels above the IWA maximum, thereby stimulating production. This has resulted in total sales of exporting countries being smaller than they might have been. The exporting countries were able, however, to fulfill their quotas in each year of the first agreement.

Another early hope not completely fulfilled was that the Agreement would cover a large share of the world trade in wheat. The absence each year of some large importing and exporting countries has meant not only that much wheat moved under non-IWA terms, but that participating exporting countries had to adjust their quotas in view of that fact. The 1956 Agreement, however, does include the 6 exporters that account for 90 percent of the world's wheat trade. If these 6 countries follow policies in the disposal of wheat outside of the IWA that are consistent with their sales policies within the Agreement, the impact of the IWA on world trade in wheat will be considerably greater than is indicated by the guaranteed quantities subscribed to in the new Agreement.

One major IWA goal—achieving a "reasonable and equitable price range"—may have been attained.

| Fiscal year, beginning July 1— | Exports under IWA ¹ | Total payments | Average rate |
|--------------------------------|--------------------------------|----------------|------------------|
| | 1,000 bushels | \$1,000 | Cents per bushel |
| 1949 .. | 141,432 | 77,795 | 55.0 |
| 1950 .. | 265,779 | 178,179 | 67.0 |
| 1951 .. | 254,788 | 166,928 | 65.5 |
| 1952 .. | 223,704 | 125,865 | 56.3 |
| 1953 .. | 133,344 | 58,697 | 44.0 |
| 1954 .. | 131,567 | 98,482 | 74.9 |
| 1955 .. | 123,350 | 89,580 | 72.6 |

¹ These figures do not coincide with Wheat Council recordings, which are based on the Wheat Agreement year.

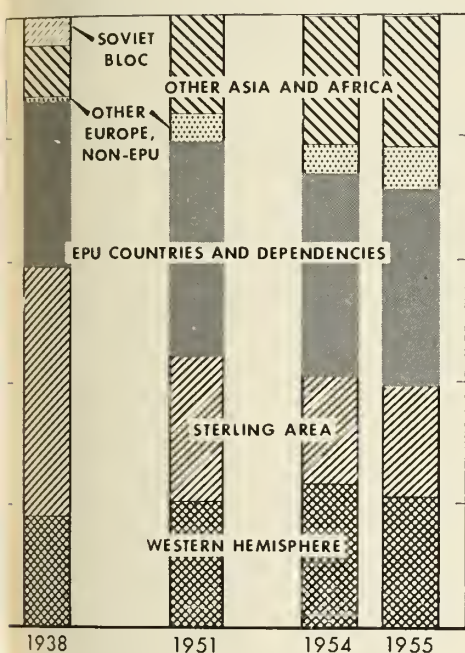
(Continued on page 19)

Postwar Changes in U. S. Farm Export Markets

By OSCAR ZAGLITS and DALE K. VINING

International Monetary Branch, Foreign Agricultural Service

DESTINATION OF U. S. FARM EXPORTS



FAS-NEG. 10-40

The development of U.S. agricultural exports since the war has been favored by the high and rising level of world demand for food, fibers, and tobacco, but impeded by the trade and exchange controls that many foreign countries had originally imposed to alleviate their financial difficulties (What Changes in Finances Abroad Mean to U.S. Agricultural Trade—*Foreign Agriculture*, August 1956). More and more, however, these controls are being used for other purposes, such as protecting agricultural producers in food-deficit countries and continuing preferential trade and payment arrangements between industrial and agricultural countries (How Trade and Exchange Controls Affect U.S. Agricultural Exports—*Foreign Agriculture*, September 1956). The present article, last in a series of three, analyzes the changes that have taken place in the direction of U.S. farm exports as a result of these and other factors.

IN 1955, THE TOTAL VOLUME of U.S. agricultural exports was over a third larger than in 1938. It even somewhat surpassed the annual average for the first 5 postwar years, when demand was abnormally high because of the serious food shortages in many countries. Only during the scare-buying period of the Korean war did we export more of our farm products.

Our farm exports both to industrial countries and to less developed countries have increased above prewar levels; but the increase has been much greater for the less developed countries. Their share in our farm exports rose from 15 percent in 1938 to over 37 percent in 1955. Population growth, improved living standards, and U.S. export programs, including local-currency sales, have helped to bring about this increase.

In our exports to industrial countries, the sharp shrinkage of the United Kingdom's share between 1938 and 1955 was partly offset by large increases for Japan—Asia's most industrialized country—and for the fast-recovering European markets of Western Germany, the Netherlands, Italy, Norway, and Switzerland.

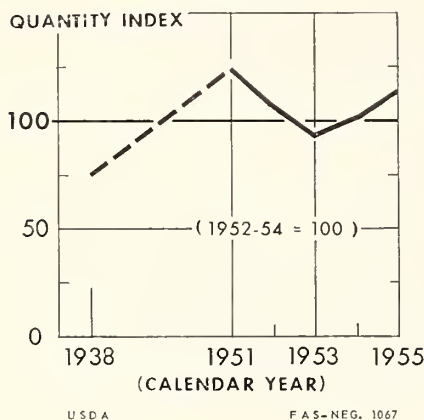
The expansion of our exports to the less developed countries has had a wide regional distribution. In the Western Hemisphere, increases have been largest for Mexico, Venezuela, Cuba, and Brazil; in Europe, for Greece, Spain, and Yugoslavia; in the Middle East, for Israel; and in Asia, for India, the Philippine Republic, South Korea, and Formosa. And our farm exports to India, South Korea, Pakistan, and Indochina are likely to increase during the current marketing year.

Ever since the war, government programs have been used to finance a large part of our agricultural exports. In early postwar years many foreign countries were anxious to obtain large amounts of U.S. farm products but had few dollars to pay for them; and more than half of our farm exports had to be financed by foreign-aid grants and loans. As the financial position of foreign countries improved, this type of financing declined in importance, and in 1955 it covered only 12 percent of our farm exports.

After the scare buying under the impact of the Korean crisis had come to an end, our total agricultural exports declined sharply. It became evident that, in view of the continuing foreign trade and exchange controls and preferential trading arrangements, these exports could not be sufficiently expanded on a purely commercial basis. Therefore, special provisions were included in the foreign-aid legislation regarding the use of part of the funds for supplying U.S. farm products to the countries receiving aid; and new programs were developed for financing farm exports. At present these new programs are all governed by Public Law 480, the Agricultural Trade Development and Assistance Act of 1954. Title I of this Act authorized the sale of \$700 million worth of surplus farm commodities for local currencies. In 1955 this authorization was raised to \$1.5 billion; and in 1956, to \$3 billion. Title II now authorizes the use of farm surpluses up to a total value of \$500 million for grants in cases of famine or other emergencies. Title III revised and expanded the authority to make grants of surpluses to non-profit relief agencies, and to barter surpluses for strategic and critical

U. S. FARM EXPORTS

Well Over Post-Korean Low,
Far Over Prewar



materials or for goods and services needed in foreign-aid programs. These new programs have contributed substantially to the re-expansion of our farm exports since 1954.

The development of our farm exports differs greatly among countries and areas.

In the Western Hemisphere, Canada and the nine convertible-currency Latin American countries (Cuba, Mexico, Venezuela, Guatemala, Honduras, Panama, El Salvador, the Dominican Republic, and Haiti) are markets to which our farm products have been exported without U.S. government financial assistance. Between 1938 and 1955 farm exports to these 10 countries expanded more than total farm exports. A moderate decline from the 1951 peak of our exports to these markets was due mainly to increases in the level of protection for some agricultural producers in Mexico and Cuba.

Between 1938 and 1951 our farm exports to the other 11 Western Hemisphere countries showed a great increase, mainly as a result of rapid population growth, economic development, and rising living standards. But between 1951 and 1955 multiple-exchange-rate practices, other forms of exchange and trade controls, and bilateral trade and payments arrangements (all related to continued financing difficulties) have reduced these exports by about 30 percent in terms of value. P.L. 480 agreements for the

sale of a total of \$136.2 million of our farm surpluses against foreign currencies have been concluded with six countries in this group. As a result, exports to several South American countries expanded in 1955. Our total farm exports to these 11 countries are likely to increase further during 1956.

The United Kingdom was by far the largest foreign market for our farm products before the war. During and after the war, however, agricultural production in the British Isles was expanded with government assistance. Between 1946 and 1948, imports were shifted to the sterling area and other non-dollar countries, and U.S. farm exports to the United Kingdom declined sharply. In 1948 these exports amounted to only about 45 percent of their prewar volume. After considerable fluctuations they re-expanded in 1955 to 68 percent of this volume. Relaxation of British trade and exchange controls for some of our farm products and tobacco sales under P.L. 480 helped bring about this improvement. Yet, since shipments to other countries have increased considerably above the prewar level, the United Kingdom's share in our farm exports is now only about one-third as large as before the war.

The outer sterling area countries (the British Dominions and the independent countries that, together with the United Kingdom, form the sterling area) are not only predominantly agricultural but have preferential tariff, trade, and payments arrangements with the United Kingdom. Despite this, our farm exports to the outer sterling area have developed comparatively well. Volume has expanded considerably above the prewar level, mainly because of increasing population and rising living standards. The new P.L. 480 agreement with India and other sterling countries may result in a substantial further increase of our farm exports to the outer sterling area.

The continental countries that are part of the European Payments Union (EPU), with their overseas dependencies, accounted, before the

war, for 26.6 percent of our farm exports. Foreign economic aid helped to rebuild and expand our markets in these countries. In 1955 they absorbed 32.2 percent of our farm exports. Most of our present farm exports to this area are paid for with earned dollars. Local currency sales and some aid-financing are, however, helping the development of markets in some EPU countries such as Italy, Greece, and Austria. Also the poor crops that Europe recently experienced will probably result in larger imports of U.S. farm products during the current marketing year.

Our farm exports to three non-EPU European countries (Spain, Finland, and Yugoslavia) have expanded markedly from \$5 million before the war to \$220.2 million in 1955. However, most of these exports have been financed under economic aid or local-currency-sales programs.

Japan, a densely populated industrial country, is at present the largest foreign market for U.S. farm products. Its share of our total farm exports rose from \$56 million, or 6.8 percent, in 1938 to \$386 million, or 12.1 percent, in 1955. Japan's ability to pay for imports in general and for dollar imports in particular has been increased by a favorable development of its own exports and by U.S. Government expenditures in Japan for goods and services. In addition, P.L. 480 sales programs have helped finance U.S. farm exports to Japan.

The Asian and African countries (other than Japan) that are not members of the sterling or EPU areas have experienced large population growth and accelerated economic development. Even though these countries are predominantly agricultural, their food demand has outpaced their expansion of food production. But their earnings of dollars and other foreign currencies have been insufficient to pay both for the capital goods they need in their economic development and for expanded food imports. In the Republic of the Philippines, South Korea, Indochina, Thailand, and

(Continued on page 18)

Japanese rice culture is done by transplanting. At right, growers pull plants from seedbeds and tie in heads for transplanting the next day.

Is There a *Wonder Method* Of Rice Culture?

By Dexter V. Rivenburgh

Grain and Feed Division
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MUCH HAS BEEN WRITTEN in the last few years about the results obtained from what is known as the Japanese method of rice culture; and so fantastic are some of the yields claimed for this method that rice exporters are concerned lest it add to their economic problems by creating an even greater world surplus.

Actually, there is nothing either new or revolutionary about the Japanese method. The Japanese have been using it for nearly a century. But the spotlight has been turned on it, primarily because of the rice shortage after World War II. To regain production quickly, attention was shifted to increasing yields in addition to expanding the area under cultivation. On the basis of returns from small experimental plots, the Japanese method seemed to be the answer; and further approbation came when India, in its recent Five Year Plan, announced its adoption as a way of expanding rice production.

If the Japanese method can hardly be called new, there is no question of its soundness. Over many years by painstaking effort and research the Japanese have maximized their yields of rice and today are producing 3,500 pounds to an acre—some 700 pounds more

than the averages produced in the United States, though 1,000 pounds under those for such top producers as Italy and Australia.

Transplanting Method

Japanese rice culture is done by transplanting. Top-quality seed, selected from high-yielding strains of rice, is treated with hot water and chemicals to reduce losses from seed-borne disease and then is planted in raised nursery seedbeds that have been carefully prepared with fertilizers and compost materials. The seedbed is kept free of weeds and after the seedlings are up about an inch and a half, the weaker rice plants are removed.

After 35-45 days, the seedlings will have 12 or more roots fully grown as well as a mass of small ones just starting to develop. Plants are pulled, preferably the evening before transplanting so that the excess water can drain off. In transplanting, which is usually done late in the afternoon, the plants are set out with the rows running north and south to give them the maximum amount of sunlight. They are spaced about 4 to 5 inches apart in rows $1\frac{1}{2}$ to 2 feet apart to facilitate hand weeding and cultivation. The paddies are weeded about four times a sea-

son at 10-day intervals.

Two weeks after transplanting, the first of three furrowings is started between the rows so as to finally produce a 4-inch ridge. Applications of fertilizer are made depending upon the color of the leaves and the physical development of the plants; and throughout the entire growing season each individual plant is carefully cultivated. At the end of approximately 100 days the rice is ready to be harvested.

From this description, it is obvious that Japanese rice cultivation offers no wonder method, but is a system based on tested principles of seed selection and culture. By following these principles closely the Japanese have minimized the occurrence of disease and insured maximum plant growth through the use of fertilizer, control of weeds, and roguing.

But what about the high yields that have been claimed for this method? It is true that some of these are based on fact, but very often they result from a somewhat unfair comparison between transplanting and seeding methods. Yields from a transplanted plot have sometimes been compared with those from a plot sown on the same day. To obtain a fair esti-

mate, transplanted plots should be compared with seeded plots where seeding has taken place at an earlier date so as to equalize the growing season. When this has been done, transplanting in many cases has shown no appreciable advantages over seeding. In fact, California's average yield for Japonica varieties of rice grown under extensive mechanization and with weather conditions similar to those of Japan is just about the same as the average for Japan, where transplanting requires that the crop be produced almost entirely by hand labor.

Advantages for Certain Areas

It would be most unfair, however, not to recognize that Japan's method does have advantages for certain areas of the world. Where the water supply is limited or the season is apt to be delayed by weather conditions, the seedbed with its controlled optimum conditions allows transplanting in the field at a later date than would be possible where the seeding is done direct.

A second favorable factor is the regularity of the spacing obtained by transplanting. A system of broadcasting, with its irregular patterns, does not result in as good growing space nor does it permit as much sunlight to reach each plant. Better weed control and evenness of fertilizer applications are also gained by this regularity of spacing.

But the main argument against the Japanese method is labor. In those countries where labor is readily available this method has much to recommend it—particularly if research on rice production has been limited. In other countries where cultural practices are more advanced and labor is not available, little would be gained by substituting transplanting for seeding. There is even a trend away from transplanting by countries that now use this method, i.e., Italy, with average yields higher than those of Japan, is curtailing some hand practices since the present level of world rice prices no longer

West German Agriculture Minister Visits USDA Research Center



During World War II and for several years thereafter German agricultural research was at a standstill. To arrange for an exchange of scientists and information which will help bridge this gap, the German Research Study Commission, and Dr. Heinrich Luebke, Minister of Agriculture of the Federal Republic of Germany, visited the United States last month.

Shortly after they arrived in Washington the Commission toured the USDA Agricultural Research Center, Beltsville, Md. In the photo above, Dr. Maurice Fried, soil chemist, discusses with Dr.

Luebke and the group of German officials and scientists some experiments using radioactive isotopes to study iron chlorosis in soybeans.

Following conferences with USDA officials on the implementation of a program of scientific collaboration, the group visited important agricultural areas in the United States. Commented Ministerial Director Franz Herren after talking with scientists at several leading U.S. agricultural colleges: "Compared with when I was here in 1949, agricultural study in the United States has made tremendous strides."

warrants the additional expenditure.

So the answer to whether the Japanese method of rice culture threatens to create greater rice surpluses is "no." What is likely to happen is that the major rice-consuming countries of the world—

which in most cases are also the rice-deficit countries—might adopt this method as a means of increasing their own food supply, since it lends itself to small-scale production. But very little of this rice, if any, will find its way into the world's rice markets.

Blackfat tobacco for the African market is hand-tied in heads of 4 to 6 leaves of equal length.



"Louisville"

BLACKFAT — A Special U.S. Tobacco For the West African Trade

BLACKFAT TOBACCO for many years has been a minor but distinctive part of the U.S. tobacco industry. This dark-colored tobacco made from the narrow leaf grown only in Western Kentucky and Tennessee has found a steady market in the coastal areas of West Africa.

Originally called Black African tobacco, it also goes by the name "blackfat." The source of this name is obscure but it is believed to have originated from the dark color of the product and the fatty condition resulting from packing in oil.

How this industry began goes back some 80 years to a shipwreck off the West African Coast. When the ship's cargo of tobacco was salvaged it had turned black. The dark tobacco so appealed to the Africans that some U.S. export companies began processing and shipping black tobacco for the African trade. Thus an industry was born that for many years has provided a steady outlet for U.S. blackfat tobacco. At present three companies are producing blackfat.

Blackfats are made from the narrow-leafed, dark-fired and one-sucker tobacco grown in Western

Kentucky and Tennessee. The farmer-tied heads of tobacco are brought into processing plants where they are sweated in moist heat at about 180° F. This artificially ages the leaf, improves the aroma, and begins the darkening. Further darkening is accomplished by removing all moisture in vacuum tanks and then restoring part of it in steam cabinets.

Leaves range from 19 to 26 inches in length. They are carefully classed according to size and hand-retied by binding one leaf tightly around the others to form heads of four to six leaves depending on the requirements of the market. After heads are retied all moisture is again removed so that a controlled amount can be restored to keep them in proper condition during shipping.

Blackfat is packed in layers, and as each layer is packed the tobacco is treated with oil. In the early days of blackfat processing, bacon grease or cottonseed oil was used. But they were not satisfactory, so mineral oil was finally adopted for the processing.

Brightly colored plastic sheets keep the packed tobacco and help retain moisture during transport-

ing. These sheets, incidentally, are further utilized by the natives as raincoats.

The African buys blackfat by the head or leaf—or sometimes part of a leaf. He chews it, smokes it in clay pipes, makes cigars from it, or snuffs it.

While sales of blackfat are decreasing, in 1955 the United States exported 5.3 million pounds of this dark tobacco. Nigeria imported 2.6 million pounds; the Gold Coast, 1.3 million; and French West Africa, 1.1 million. Of the three leading importing countries, only French West Africa, where East African and Italian interests are making a determined effort to capture the trade, showed a substantial decline—1.6 million pounds less than the 1935-39 average.

Although there is a trend toward cigarette smoking in West Africa, it is felt that Nigeria and the Gold Coast, which have favorable dollar trade balances with the United States, will find a ready market for blackfat in the coastal areas for some years to come, provided that sufficient dark-fired and one-sucker tobacco is grown each year in the United States and marketed at competitive prices.



Crowds throng Tokyo's Mitsukoshi department store as Japanese mannequins model cotton fashions designed and manufactured in Japan.

Right, Miss Natsumi Ohno poses as "Miss Cotton of Japan." At bottom, judging new fabrics designed for Japan's traditional kimonos.



Japan Crowns A Cotton Queen

—and boosts sales of cotton textiles

WHEN PRETTY Miss Natsumi Ohno was crowned "Miss Cotton of Japan" in Tokyo last spring, this event inaugurated a nationwide cotton promotion program that helped boost sales of cotton textiles some 20 percent within a few months.

For centuries silk has been the traditional fashion fabric of Japan. Recently man-made fibers have been making gains in this market, and cotton, though popular for summer kimonos, has been more or less ignored in Japanese fashions. But Japan's spinners and textile men were convinced that Japanese women, as style-conscious as their Western sisters, would wear more cotton if presented to them in smart styles and designs.

To swing this nationwide campaign, six of Japan's leading cotton associations banded together in the Japan Cotton Promotion Institute. They caught the public eye with "Miss Cotton," with fashion shows, design contests, newspaper publicity. Department stores in 12 important cities featured "Cotton Week," devoting window and store displays

to new cotton fabrics and to both Japanese and Western-style clothes. Behind scenes, research specialists interviewed over 600 retail stores and some 2,000 consumers to determine retail trends and consumer preferences.

All this is just the start of a year-round project based on modern techniques of sales promotion, market research, and public relations, in which the Japanese Cotton Promotion Institute is guided by the National Cotton Council of America and the U.S. agricultural attache's office in Tokyo. What makes the project possible is Public Law 480, which permits foreign currency accruing from sales of U.S. surplus agricultural commodities to be used to meet part of the costs of market development programs abroad.



Financing Exports of U. S. Farm Products

A stepped-up credit program announced recently by the Export-Import Bank should make it easier for importers of surplus U.S. agricultural products to finance their purchases. Under this plan the Bank would extend loans of 6 to 12 months to foreign banks, or to foreign importers on their banks' guarantees, for the purchase of certain agricultural commodities. These credits, like other Export-Import Bank loans, would not be authorized when financing was available from private sources.

The commodities eligible are barley, cheese, corn, cotton, dry edible beans, grain sorghums, non-fat dry milk solids, oats, rice, rosin, rye, tobacco, turpentine, vegetable oils, and wheat. This list may be modified from time to time. Exports of eligible commodities may be financed by the Bank whether or not they are purchased from the Commodity Credit Corporation.

The Export-Import Bank, a government corporation, has financed since 1945 about \$800 million worth of U.S. agricultural exports—mostly cotton—in addition to its financing of industrial exports.

The Bank's program for credits to importers of surplus U.S. agricultural commodities complements an already functioning Commodity Credit Corporation program for credits to exporters.

The CCC program extends credit to U.S. exporters to finance their purchases of CCC-owned agricultural commodities, or of tobacco pledged to CCC under price support programs. These credits are for periods ranging from 6 months to 3 years, against the assurance of payment from a bank in the United States. The exporters in turn work out their own financial arrangements with the foreign importers and the importers' banks. The importers themselves may initiate action under this program, either through the exporters or through an inquiry to CCC.

Sen of India Is New FAO Head

Shri B. R. Sen, Ambassador of India to Japan, was elected Director-General of the U. N. Food and Agriculture Organization at a special meeting in Rome in September, called to choose a successor to Dr. P. V. Cardon of the United States, who resigned last March.

Having served in Washington, first as minister and then as ambassador of India during 1951-52, Mr. Sen is well known in this country. He has also done extensive work with United Nations groups before his recent assignment to Japan.

As fourth Director-General of FAO, he will take office in about 2 months.



Egypt's Changing Trade Pattern Embraces Soviet-Bloc Countries

The outstanding change in Egypt's trade picture this year is the increased importance of Soviet-Bloc countries as sources of imports and as markets for exports.

While Egypt's imports from the United States during the first 6 months of 1956 increased 62 percent over the same period in 1955, imports from the Soviet-Bloc countries increased 147 percent. At the same time, U.S. imports from Egypt fell off to 44 percent of the 1955 value, while Egyptian exports to the Soviet-Bloc increased 156 percent.

For the first half of 1956, Egypt's

total exports were up 36 percent and total imports (excluding wheat shipments received under U.S. Public Law 480, and armament imports) were 23 percent above the same period in 1955. Farm products comprise about 85 percent of Egypt's exports and only about 8 percent of the imports. Cotton is about 80 percent of total exports.

Egypt's trade with Soviet-Bloc countries is carried on through bilateral trade agreements. Egypt has agreements with the USSR, Czechoslovakia, Poland, Rumania, Hungary, East Germany, and Communist China.

Egypt's trade for January-June of 1955 and of 1956

| | 1955 | | 1956 | |
|--------------------------|-----------------|---------|-----------------|---------|
| | Million dollars | Percent | Million dollars | Percent |
| Total imports | 242.0 | | 298.7 | |
| Total exports | 189.5 | | 257.1 | |
| Balance of trade | -52.5 | | -41.6 | |
| Imports from U.S. | 27.9 | 12 | 45.3 | 15 |
| Imports from Soviet-Bloc | 14.5 | 6 | 35.8 | 12 |
| Exports to U.S. | 15.1 | 8 | 6.6 | 3 |
| Exports to Soviet-Bloc | 34.1 | 18 | 87.4 | 34 |

IFC: A New World Organization

In July, 32 nations subscribed \$78.4 million to form the International Finance Corporation, a new affiliate of the World Bank. This intergovernmental organization joins the World Bank and the International Monetary Fund in serving the world's financial needs.

Primary purpose of the IFC is to encourage productive private enterprises in the less developed countries. It will do this by investing in these enterprises in association with private investors and without government guarantees. In contrast, the other two organizations deal directly with governments or against government guarantees: the World Bank

makes loans for economic development, and the Fund makes available foreign exchange to governments in temporary balance-of-payments difficulties.

In the countries where IFC invests, its assistance in promoting industrial development may help raise income and living standards, and thus increase demand for agricultural products. U.S. agricultural exports may also benefit more directly should IFC receive and grant requests for financial assistance from foreign enterprises that process U.S. farm commodities (such as milk-recombining plants).

Of IFC's capital, the United States subscribed nearly half—\$35.2 million. However, private investors are expected to provide most of the funds for each enterprise. IFC will act as a clearinghouse to bring together investment opportunities, private capital (both foreign and domestic), and expert management.

Eligible for IFC financing are industrial, agricultural, financial, commercial, and other private business enterprises, provided that their operations are productive. In its early years, however, IFC will prefer to make most of its investments in enterprises that are predominantly industrial.

Canada: Cash Customer

(Continued from page 7)

to \$37.2 million in 1955. Dried fruit exports declined from \$39.1 million to \$33.5 million, and fresh peaches from \$1.4 million to \$0.9 million—the latter primarily because of a light 1955 U.S. crop.

A slight increase occurred in the export of U.S. soybeans, but this was more than offset by the reduced exports of vegetable oils and fats, caused by the continued upward trend of Canadian oilseed output.

Outlook

Consumer demand for U.S. food products has continued through the first part of 1956, and unless some unpredictable change occurs in the country's prosperity, it is unlikely that this demand will diminish.

Some of the factors, however, which helped to set the 1955 pattern of Canadian exports to the United States have shifted. Following the poor crops of 1954, abundant field crops were produced in 1955, and again this year. Exports to the United States of certain major products for the first 6 months of this year are substantially above those of last year. Barley, for example, totals 10.9 million bushels compared to 3.9

million for the same period in 1955; and January-June table-stock potato exports are 1.1 million bushels compared with the previous year's 153,020 bushels for the 6 months.

On the other hand, the Canadian fruit crop for 1956 is estimated to be much smaller than in 1955. Apples, Canada's principal fruit export to the United States, will probably fall below the 1955 level. And while beef exports are somewhat higher, increased Canadian consumption for the remainder of 1956 will hold down the volume of Canadian beef and cattle exports.

Changes in Export Market

(Continued from page 12)

Israel, U.S. aid and P.L. 480 local-currency-sales agreements have helped bring about the very large increase in agricultural imports from the United States that has taken place since the war. By loaning back to the countries large parts of the local-currency proceeds, these agreements have also helped in economic development.

Our farm exports to this area have increased from \$17.2 million in 1938 to \$301.6 million in 1955; and the area's share in our total farm exports, from 2.1 percent to 9.4 percent. Still further rises are likely, since shipments under the

largest P.L. 480 agreement in this area (the 2-year agreement with Indonesia) did not begin before 1956.

Although the countries now included in the Soviet-Bloc were much less industrialized before the war than they are today, they held then a fairly significant place in our export trade buying \$40 million worth, or 4.8 percent, of our farm exports in 1938. In 1955, however, they bought only \$3.8 million worth, or 0.1 percent.

Japan Plans Increase of Synthetic Fibers

The Japanese Government has announced textile production goals for the next 8 years, calling for a much larger increase in production of rayon and other synthetic fibers than in cotton yarns.

Japanese production of rayon, spun rayon, vinylon, and nylon for 1956 is expected to be about 936 million pounds—only 23 million pounds less than cotton yarn production. The 1963 planned production goal for rayon and the other synthetic fibers, however, is for 1,389 million pounds—400 million pounds or 40 percent above the 1963 production goal of 989 million pounds set for cotton yarns.

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World wheat prices no longer break catastrophically or soar out of reach. During the first two Agreements, world export prices in general never went as low as the IWA minimum (although some classes of wheat reached that level in 1954 and 1955). For the first 1 years, world prices exceeded the maximum, and the exporting countries, obliged to fulfill their quotas when prices reached the maximum, therefore had to sell all their guaranteed quantities for less than world prices. In September 1953, however, world prices dipped below the maximum, and ever since have remained between the upper and lower IWA figures. Thus the world wheat market has been free, with no country obliged either to buy or to sell under Agreement terms.

The goal of assuring stable supplies and markets may also be considered attained. Under the provisions of the Agreement, no importer need fail of supplies and no exporter need fail of markets. If a country carries out its obligations of sale or purchase and still cannot complete its quota, it may invoke its rights and obtain the Council's help. It may also have its quota adjusted in case of an unexpected short crop or balance-of-payments difficulty.

It is true that much of the world's wheat trade has been moving outside the Agreement. In 1955 only about a fourth of total world exports were IWA shipments. However, total world trade in wheat has been maintained at relatively high levels. In no year has it fallen below the 1949 total; during the life of the latest agreement it has risen steadily to a new high. The 1956 Agreement continues the assurance that importers can buy and exporters can sell at prices within agreed limits, and that there will not be the disastrous fluctuations that occurred during the decade of the 1920's.

United States and India Sign Largest Foreign Currency Pact



U.S. Secretary of Agriculture Ezra Taft Benson (center) and H. Dayal, Minister of the Indian Embassy (right), clasp hands to cement a \$360-million P.L. 480 agreement for the sale of surplus U.S. wheat, cotton, rice, tobacco, and dairy products. Left is John Sherman Cooper, U.S. Ambassador to India.

Early this fall India and the United States signed a commodity agreement that is not only the largest ever negotiated under Title I of Public Law 480 but the first to provide for deliveries over a 3-year period.

India will buy for rupees \$360.1 million worth of surplus U. S. farm commodities. These rupees will be used for purposes beneficial to both countries—part spent in India to develop U.S. markets and to help pay U.S. obligations, and part loaned back to the Government of India for economic development, with additional rupees made available on a grant basis.

The agreement, signed on August 29, includes these commodities: Wheat, \$200 million (about 130 million bushels); cotton, \$70 million (500,000 bales); rice, \$26.4 million (440 million pounds); tobacco, \$6 million (6 million pounds); and dairy products, \$3.5 million. The United States will

finance about \$54.2 million of the ocean transportation costs.

The wheat represents more than 15 percent of the U.S. stocks available for sale August 1; the rice, all to be shipped in the marketing year 1956-57, represents 20-25 percent of the U.S. stocks estimated available for that year.

In announcing the agreement, Secretary of Agriculture Ezra Taft Benson pointed out its value to both countries—to the United States in reducing burdensome farm surpluses, and to India in improving nutrition and levels of living and in accelerating economic development programs. H. Dayal, Minister of the Indian Embassy, noted that the agreement will mean much to his country's second 5-year plan; for although India has made much progress in increasing farm output, it needs the assurance of additional food supplies.

Pakistan Buys More U. S. Commodities



Pakistan has signed a new agreement with the United States to buy \$46.4 million worth of U.S. farm products, including rice, wheat, cotton, tobacco, and dairy products. This is the third agreement that Pakistan has entered into under Title I of Public Law 480. Sales will be made by private U.S. traders.

In the photo at the left, Arthur Z. Gardiner, U.S. chargé d'affaires in Karachi, signs for the United States, and Finance Minister Amjad Ali, for Pakistan. Looking on are, left to right, Donald L. MacDonald, U.S. agricultural attaché in Pakistan, and Rashid Ibrahim, Deputy Secretary, Ministry of Economic Affairs.

Japanese Trade Groups in U. S.



From Japan, a leading market for U.S. wheat and soybeans, two groups came this summer to study the production and marketing of these commodities (see editorial). Both visits were financed under Public Law 480.

The wheat group was headed by Buichi Oishi, Vice Minister of Agriculture and Forestry, shown above with Secretary Benson. USDA arranged this visit in cooperation with the Oregon Wheat Growers' League, the other with the American Soybean Association.

Honduran Economy Recovering From Floods

The 1955 sales of U.S. agricultural products to Honduras soared to 58 percent above 1953. This was partly because the severe floods in Honduras in 1954 lowered domestic production of basic food crops and necessitated buying commodities normally raised at home.

Wheat flour and grain were the top U.S. export products, accounting for 27 percent of the total value. Other U.S. products gained substantially. They were dairy products, meat and meat products, corn, and canned vegetables.

At the same time Honduran exports to the United States dropped 28 percent. Banana plantations were ravaged by "blow downs" which accompanied the floods, and banana exports, which generally account for 60 percent of the total value, dropped from \$16.5 million in 1953 to \$5.6 million.

The resultant decrease in dollars earned, combined with the larger output for imports, lowered the country's foreign exchange reserves.

Rhodesia and Nyasaland Revise Import Controls

Rhodesia and Nyasaland have revised their import controls for the second half of 1956. On the list of prohibited items from the dollar area (effective July 1) are cotton, barley, cheese, corn, eggs, baby foods, cake powders, lard and edible meat fats, jams and honey, soups, bacon and ham, canned and potted meats, peas and beans, canned vegetables and fruit, dried fruit, fruit juices, cornflour and various farinaceous and cereal foods, extracts and essences for food and flavoring, pickles and similar condiments, fresh, frozen, or chilled meat and poultry, and wool.

While wheat is also included in the prohibited list, a specific quota of \$630,000 for dollar wheat imports was established for July-December 1956. And shortly before the effective date of the new import controls a specific dollar allotment was established for the purchase of about 5,000 bales of U.S. cotton. No imports of the prohibited items are permitted from the dollar area unless a specific dollar allotment is established. In addition, dollar goods not on the prohibited list are announced as "unrestricted," but are subject to the granting of individual import licenses. Tallow and dried milk are on the "unrestricted" list.

At the same time custom duties have been revised on a large number of commodities including lard and vegetable fats and similar substances for cooking (excluding margarine, butterine, similar butter substitutes, peanut butter, and ghee). The rate applicable to the U.S. lard has been raised from 3 pence to 4 pence per pound.

The outlook for 1956 is encouraging, however. The banana industry reportedly has recovered, and 1956 exports are expected to be as high as they were prior to the floods. Coffee production, given increasing attention in recent years, is moving ahead rapidly and exports are expected to increase.

U. S. Potatoes Praised by New Zealand Housewives

Recent shipments of California potatoes, sold to New Zealand under Public Law 480, were snapped up by New Zealand housewives, who commented on their clean, washed appearance and excellent quality. Even though these potatoes sold for a few pennies more than those grown locally, the lack of dirt and the fact that they could be scraped instead of peeled made up this difference.

In the photo at the right, the washed, graded U.S. potatoes—White Rose variety—are compared with mud-coated New Zealand potatoes at a Wellington market.



Dominion, Wellington, New Zealand

Australia Boosts Dried Milk Output

Australia has become an important producer and trader in milk powders. In the year ending June 30, Australia's production—140 million pounds—was double that immediately following World War II, and its exports increased even more, reaching 78 million pounds during the last year, or six times the 1945-46 figure.

In both production and trade, nonfat dried milk and other by-product milk powders, such as buttermilk and whey powders, made up most of the gain. In the 10 years since the war, output of these powders has increased from 8.3 million to 73.9 million pounds. Dried whole milk, on the other hand, has increased only 30 percent, from 52.4 million to an estimated 67.2 million pounds, which approximates the ratio of increase in total milk production in the 10-year period.

Increased commercial use of by-product milk powders is responsible for Australia's expanded output.

Australia now ranks eighth in world trade in dried milks, and finds Asia its largest buyer. Formerly, the United Kingdom was its principal market.

Italy Seeks Outlet for Soft Wheat

Italy is looking for export markets for soft (nondurum) wheat, owing to its large carryover stocks. A government decree of August 7 provides for establishing an agency to devise and put into operation programs for disposing of such quantities held by the government at the end of the 1955-56 season as are considered to be in excess of domestic food requirements during 1956-57. The High Commission for Food has announced that the various Ministries agree to the need for finding export outlets during 1956-57 for 1 million metric tons of soft wheat. Currently, consideration is being given to exporting 800,000 tons in the form of grain and 200,000 in the form of flour.

The August 7 decree provides that the Commission, and the Ministry of Agriculture, shall decide how much of the soft wheat is surplus. The new agency is then authorized to dispose of it by various means—export sales, barter for durum, sales to millers at world prices to compensate for Italian exports of pasta products and wheat flour, and diversion for use as livestock feed or other purposes.

Currently, efforts reportedly will be directed mainly toward selling or bartering enough soft wheat to cover wheat-import costs.

Thus far, limited amounts have gone to Hungary and Tunisia on a barter basis for durum. Negotiations are under way for sales to France on a similar basis and for sales to Egypt, the latter probably in exchange for cotton. There is also a possibility that a large quantity of flour will go to Ceylon.

Italy needs more durum and less soft wheat because its people's eating habits are changing. They are eating more pasta products, which are made from durum wheat, and less bread. Italy produces durum wheat; this year's crop is estimated at 1.4 million metric tons. But output fell short of needs; over 301,000 tons were imported in 1955-56, and the pasta industry reports that it will need 300,000-400,000 tons of imports during 1956-57. If durum is unavailable on world markets, Italy will consider hard wheat. In fact the High Commission has already indicated that 100,000-200,000 tons of U.S. Dark Hard Winter might find a market in Italy this year.



U. S. to Develop Soybean Market Program Abroad

The U.S. Department of Agriculture, in agreement with the Soybean Council of America, Inc., will conduct a program for the development and promotion abroad of U.S. soybeans, soybean oil, and other soybean products.

The agreement provides for market research and sales promotion projects aimed at developing additional markets in Italy, Spain, Western Germany, Austria, France, Finland, and other countries.

The program is made possible through the use of local currencies accruing from the sale abroad of U.S. farm products under Title I, Public Law 480.

U. K. Sets Import Quotas For American Apples

The United Kingdom has set a North American quota for the 1956-57 crop year on imports of apples from Canada and the United States at \$3.5 million f.o.b. Import licenses will become valid November 16, 1956, and imports from that date to the end of the year will be limited to \$840,000 f.o.b.

Canadian Wheat, Flour Penetrating Iron Curtain

According to the Canadian Wheat Board, Canada's wheat and wheat flour exports for the 1955-56 marketing year (August-July) were 309 million bushels, an increase of 57 million bushels over the previous season.

The principal reason for the sharp increase was the taking of over 40 million bushels by Iron Curtain countries. In previous years no wheat was shipped to

these countries from Canada. In addition, Italy, West Germany, and France increased their imports of Canadian wheat.

Intra-Europe Livestock, Meat Trade Expanding

The Organization for European Economic Cooperation has strengthened the intra-European trade in livestock, meat, and meat products among its member nations.

The movement of cattle between Ireland, the United Kingdom, Denmark, West Germany, Italy, France, and Switzerland has increased substantially over 1954. Trade in hogs also expanded sizably. Imports of beef increased from 353,000 tons in 1954 to 464,000 tons in 1955; and pork shipments among O.E.E.C. countries were up considerably.

Grass and Legume Seed Exports Continue Strong

Exports of grass and legume seeds from the United States continue strong, although the 1955-56 season's shipments of nearly 29 million pounds were only about 60 percent of the nearly 50 million pounds exported during the record-breaking 1954-55 season.

Alfalfa seed shipments of 11.8 million pounds for the 1955-56 crop year were the largest ever recorded.

Europe is still the best customer for U.S. grass and legume seeds, but increased interest is being shown in other parts of the world. Much of this interest is being attributed to testing of the large number of samples sent abroad to demonstrate the suitability of U.S. seed varieties.

USSR Trading Tobacco With Greeks and Dutch

It has been reported that the USSR has recently purchased 231,000 pounds of Greek tobacco and wishes to purchase significant quantities from the 1955 crop.

At the same time, under an amended trade agreement with the Netherlands, Russia will export 441,000 pounds of Soviet tobacco in exchange for Dutch commodities.

Switzerland Takes More U. S. Dressed Poultry

There has been a marked increase in demand in Switzerland for ready-to-cook poultry as produced in the United States. In the first half of 1956, the United States shipped 736,900 pounds of frozen dressed poultry to Switzerland, compared with only 40,700 pounds shipped during the comparable period of 1955.

Ireland Ups Duty On Imported Fruit

Ireland has raised import duties on fresh and canned fruit in an effort to improve its unfavorable trade balance. Traders and consumers are protesting the action for two important reasons: First, it will virtually halt imports of fresh citrus fruits—particularly from the United States; and second, it is expected to substantially reduce imports of U.S. canned fruit.

Mexican States Ban U. S. Tomato Imports

The two Mexican States of Durango and Chihuahua have closed their borders to imports of U.S. tomatoes, as a result of protests to the Minister of Agriculture that U.S. tomato imports were ruining the market for their crop. According to the Ministry's announcement on September 9, the border will remain closed until prices improve.

Dominican Ban Eased on U.S. Fruits and Vegetables

The embargo banning shipments of fruits and vegetables from Georgia, Alabama, and Louisiana to the Dominican Republic has been removed. Only Florida remains under the ban which was originally designed to prevent the spread of the Mediterranean fruit fly, prevalent in Southern Florida.

Australia Foresees Future For Package Meats in U.K.

Australia is shipping substantial quantities of packaged meats to the United Kingdom. Meats in this form are more easily handled, take up less storage space, and can be shipped in any vessel with refrigeration.

Shipments are consigned to large chain stores which handle about 20 percent of the meat sold in the United Kingdom. At present most retail stores are not equipped to handle these meats but future prospects are promising.

Mexico to Import Hogs From U. S. and Canada

The Mexican Government is planning to import 360 head of purebred boars and 1,300 purebred gilts from the United States and Canada for livestock improvement programs. Duroc Jerseys, Hampshires, Yorkshires, and Berkshires are preferred, with gilts from 3 to 6 months old.

Jamaican Price Program To Help Meat Shortage

Under a new government program Jamaican beef producers will be permitted to sell one-fifth of their best beef at regular market prices, and 1,000 head of cattle per year to the luxury hotel trade at uncontrolled prices.

The program was developed as a result of the sharp decrease in slaughter from 1953 to 1955, which caused a severe meat shortage. During this time imports of beef and meat products doubled.

More Dollar Imports Are Liberalized

Norway has extended its liberalized import list to include canned asparagus, canned apricots, and table grapes. On October 15 almonds, filberts, walnuts, figs, dates, and dried apricots will be added to this list.

West Germany has also extended its liberalization list to include all dried fruits except raisins and currants, all tree nuts, and fruit pulp, frozen, or in brine or water.

Denmark expects to add dried prunes, apricots, and peaches to its liberalization list by December 1.

Cuba Sets Import Quotas On Wheat and Flour

Cuba has set quotas on its wheat and wheat flour imports for the year ending July 31, 1957. Imports are limited to a grain equivalent of 202,000 metric tons, all to come from International Wheat Agreement sources.

Sweden May Import Dollar Soybeans

Sweden recently announced that licenses may be granted upon application for imports of soybeans and oilcakes and meal from the dollar area. In 1955 the United States shipped 4,660 short tons of soybean cake and meal to Sweden, but only 167 bushels of soybeans.

New Program to Develop U.S. Rice Markets Aboard

The U.S. Department of Agriculture in cooperation with the U.S. rice trade is organizing a program to develop foreign markets for U.S. rice. Basis for this program is provided in an agreement between USDA and the U.S. Rice Export Development Association, Inc., of New Orleans, an association recently formed to represent all segments of the U.S. rice industry in foreign market development. This understanding is similar to agreements for foreign market promotion that have previously been

reached with other agricultural commodity groups.

The program will include market research and analysis, sales promotion, and training activities and will be aimed at increasing the demand for U.S. rice in Japan and other countries.

Financing will be with local currencies which become available under Title I, Public Law 480.

Science and Markets

(Continued from page 8)

can be successfully used in manufactured foods, there appears to be a wide market for foods processed in this way. And even though dehydrofreezing costs are slightly more than those of freezing, savings in transportation and storage generally offset this extra expenditure.

Industrial Area

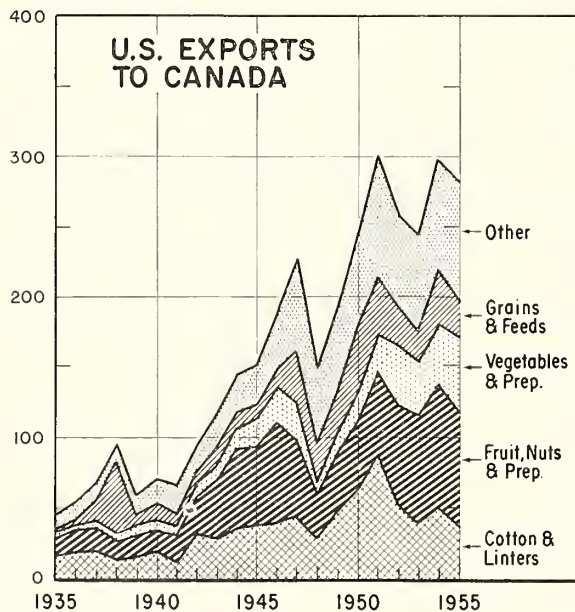
Significant advances are being made with farm commodities in the industrial field. Inedible animal fats, of which the United States exported about three-quarters of a million tons in 1955, are now being used to produce vinyl stearate and vinyl epoxystearate, both agents for making plastics flexible. As a result of research, some 170 million pounds of these inedible fats will be used for feeds for beef cattle, swine, sheep, poultry, and hogs this year; and detergents produced from animal fats will soon be competing with synthetic detergents.

The versatile soybean has been given new marketing opportunities. Polyamide resins from soybeans are the basis of the new "dripless" paints, as well as for heat-sealing glassine paper and other food packaging materials. Much interest in these new uses for polyamide resins is reported in foreign countries; and since the U.S. soybean crop for 1955 reached a record 372 million bushels, an expanded market for this commodity may have a noticeable effect on U.S. farm economy.

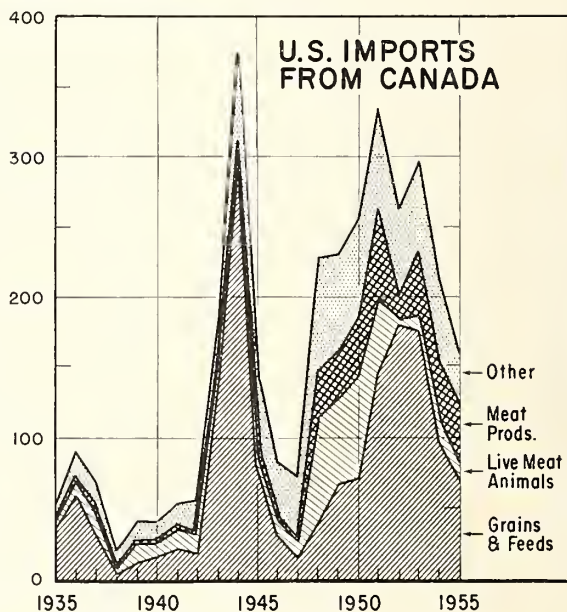
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U.S. AGRICULTURAL TRADE WITH CANADA

Millions of Dollars



Millions of Dollars



Excludes wheat in bond for milling and re-export, also exports of flour from such wheat.